



THE WESTERN FARMER AND THE BANK

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An address given before the Annual Convention of the United Farmers of
Alberta, at Edmonton, 23rd January, 1919, in reply to
Mr. J. W. Leedy's advocacy of Local Banks

THE WESTERN FARMER AND THE BANK

I am deeply grateful to your Executive for the compliment they have paid me in inviting me to be present and giving me a place on the programme of your wonderful Convention. It has been my privilege for five or six years past to be associated on a good many occasions with representatives of all three Western farmers' associations and I hope I may indulge in the belief that this invitation indicates that they have in some slight measure the same respect for me and my honesty of purpose as I have come to entertain for them. (Applause). I have a little confession to make. It has been an ambition of mine for the past few years that the time would come when I would have such an invitation from one or other of these Associations. But I never breathed it to a living soul, and, since it has come to me without solicitation and without suggestion, I esteem it a great honor. I complete my confession by telling you that now that this honor has come to me I could almost wish it had passed me by. (Laughter). I am not accustomed to thinking and speaking on my feet, in which respect I am at a great disadvantage with my good friend, Mr. Leedy; and if it had not been for a feeling that it was my duty to make what little contribution I could to public service in a matter of this sort, I believe I would have funk'd it.

When leaving Winnipeg, one of my friends, who knew the occasion of my visit here, said to me: "You won't have a show on earth. Governor Leedy has the confidence of the farmers of Alberta and he is a fine and forceful speaker. The farmers are sore at the banks and they will probably heckle you and you will get rattled." I replied: "I have a good many friends among the Farmers' Associations of the West and I think I know their spirit and their temper, and while I have no doubt I will get rattled I have not any doubt either that they will give me a fair show." (Applause). But, my friends. I need more than a fair show. I have never attempted to speak on my feet without suffering from stage fright, as I am suffering now, and therefore I ask your indulgence and your sympathy if you don't even give me your prayers. (Laughter).

I am a stranger in your midst except for the fact that I have a few good friends among your council, but I should like to be able to claim to be among friends, for I am one of those who rejoice in the great and growing strength of the Western farmers' associations. In view

of what Mr. Leedy said this morning about the attitude of some of the business interests toward the members of the Grain Growers' Associations, I make that statement with all the emphasis I can, and, that you may know it is no mere empty phrase, I want to tell you that the Managers of the corporation with which I am connected are under instructions that they are to join the membership of the Grain Growers' Associations wherever those Associations will allow them to do so, and, not only are they to become members where you will permit it, but we have enjoined them that we expect them to take an active interest in the affairs of your Associations so far also as you will permit it. I am proud to be able to tell you further that three or four of our Alberta Managers have the honor of being directors of your Locals.

In an article in the last issue of the Grain Growers' Guide, your Mr. W. R. Ball said: "This very important resolution will meet with tremendous opposition because all the big interests will be opposed to it and will use their influence with your delegates at the Convention to have it tabled or turned down. Don't forget the big interests are determined to prevent us from handling our own money. You see, when one per cent. pays for operating the loans the spread from three per cent. to eight per cent. is too big for the big interests to let go without a fight." Now, I don't believe for one moment Mr. Ball had any thought of prejudicing the hearing that you would give me today; if he knew at how much of a disadvantage I am, I am sure he would not have wished to do that.

The term "Big Interests" is used, as a rule, with a sinister meaning, but there is not any crime in being big. There are good big interests and bad big interests—more good than bad—just as there are good, bad and indifferent men. So far as I know, I am the only individual here connected with the big interests, but if the big interests had been sending somebody to represent them and try to influence you, I assure you they would have selected somebody more worthy of Governor Leedy's steel. I am not here as a representative of the big interests; I am here as a citizen, and, as you know, I am here on your invitation.

I should like to make an attempt to answer all the points in Mr. Leedy's address of this morning, but I would not have the time and I would be at too great a disadvantage if I merely attempted to follow his arguments and made the discussion one of controversy. If I were more at home on my feet I might attempt to do that, but I feel that in order to make any progress at all I had better content myself with telling my story from my own viewpoint. I should like to say, though, that if one-quarter—one-tenth—of all that Mr. Leedy believes to be true of the motives which have animated the Banks in the West were really true, I should be ashamed of my calling, and I am glad to be able to tell you that I am by no means ashamed of it. For the past eight years I have been occupied in dispensing rural credits in this Western country, and while perhaps I have some apologies to make to the people whom I represent, I am thankful to say I owe no apologies to the farmers.

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The Organization and Administration of the Banks

Before I come to deal with that portion of my subject in which you are specially interested I should like to tell you a few things regarding the composition, organization, methods of administration and earnings of the chartered Banks.

A great deal of the prejudice against the chartered Banks arises from the belief that they are making fabulous profits at the expense of the farming community. Now, in the year 1914—the year before the great war, when the earnings of the Banks were at their height—the average earnings of the Banks as a whole amounted to 15.8 per cent. upon their paid-up capital. 15.8 per cent. may sound like big earnings—some of the Banks even earned as high as 19 per cent. on their capital. These figures, however, are wholly misleading. Besides the capital of the Bank there is the reserve fund, which is just as much capital as the capital stock. The banks have reserve funds about equal to their capital. The total capital of the Banks is about \$100,000,000 and their reserve funds also about \$100,000,000. Of these reserves over 58 per cent.—call it 60 per cent. as a matter of simplification in viewing figures—\$60,000,000 of that \$100,000,000 of reserve funds is money paid in by the shareholders as premiums on new stock issues, and the other \$40,000,000 represents little savings over a period of anywhere from 50 to 100 years, according to the ages of the different Banks. In our own case, in 50 years our average contribution to our reserve fund from profits was about \$125,000 a year, equivalent to less than one per cent. per annum on our average capital and rest. When you add together the capital and reserve of all the Banks you find that their average net earnings in 1914 were only 7.7 per cent. Now, any business in the world that does not earn more than 7.7 per cent. is not a particularly profitable one. The fact of the matter is that the services of the Banks to the community at large across this country have been rendered for a very moderate remuneration.

With regard to the ownership of the Banks. We are called the Big Interests, but big interests have very small holdings of Bank shares. I am going to speak today from facts of my own knowledge, therefore in regard to my own bank, because otherwise I might have to speak of things about which I am not so well informed. The Canadian Bank of Commerce—one of the four largest Banks, one of the four big Banks Mr. Leedy spoke of today—is owned by 6,769 individuals. Its shareholders' list covers 142 printed pages. You can take page after page and you will find only a few holders of more than 100 shares and innumerable holders of 1 share and 3, 5, 6, 9, 10, 20, 30 shares, all down the list, and you will find pages and pages of small holdings of estates, whose shares in the Bank represent the belongings of widows and orphans. The same is true of all the Banks, and Bank shareholders are as great a democracy as the United Farmers of Alberta.

Then, with regard to the directorate of the Banks. The distinguished President of The Canadian Bank of Commerce is not connected with any big interest whatever, but is a man who has grown up in the

The Organization and Administration of the Banks—(continued)

service of the Bank. We have two or three eminent legal men on the Board; we have one or two men who were successful in business but have retired therefrom; and then we have a number of men whom you would call representatives of big interests. The latter have been put upon the Board of the Bank simply because they have demonstrated by the success of their own undertakings the bigness of their vision, and because of their wide experience. But the Directors of a Bank constitute an advisory body only; they are the trustees for the shareholders, but they do not administer the Bank.

That brings me to the remaining preliminary point I want to make with you, and that is, that the Banks are administered and their policy shaped by the Executive, by men who have grown up in the service of the Banks—highly trained bankers. The chief responsibility of the directors of a Bank is to see that they have the right men as executive officers, but the executive officers manage the affairs of the bank, only referring to the Board of Directors matters of larger policy and the granting of large credits to large organizations. The directors have no right of initiative in extending credits. No one ever heard of a director asking a board of directors to grant a credit to a big industry. The directors of a Bank would never see an application for a big credit for a big interest unless the General Manager placed the application before them with his recommendation. He is not expected to put any application for credit before the directors unless he is prepared to recommend it. Moreover, if, for example, a big customer in the City of Toronto wanted a large credit from the Bank, he would first have to lay it before the Manager of the Toronto Branch of the Bank, and the Manager of the Toronto Branch of the Bank would not be expected to put it before the General Manager unless he (the Manager) could recommend it. The application would not get to the General Manager unless the Branch Manager thought it was a sound proposition, and then it could not get to the directors unless the General Manager also thought it sound. I repeat that the responsibility for the management is upon the Executive. The picture, suggested by popular criticism, of a lot of Bank directors from big interests sitting around a Bank's treasury and apportioning among themselves the bulk of the loanable funds, leaving only a beggarly sum for the use of the Western farmers, is too fantastic for words.

Finally, the administration of rural credits in this Western country rests in my hands, without any mandate from the directors, or any mandate from my General Manager, except that the business must be administered creditably to the Bank. I am not interfered with in any matters of administration in the West which could concern the farmers in one little degree, unless a farmer needs a credit bigger than \$25,000, and there are not a great many farmers needing more than this. The farmers for whom Mr. Leedy pleads specially—and very properly so—have only me to deal with as the final court, and there are no big interests interfering with me.

That is a general statement of the lines on which the Banks are administered. What is true of the Bank I represent is substantially true of all the Banks, or practically all.

Comparisons with the United States

I now come to that portion of my subject in which you are all specially interested, namely, the relative merits of the Branch Bank system and a system of local Banks such as exists in the United States. Mr. Leedy suggested this morning that the farmers might take up a collection and send our bankers down to Kansas to see how the Banks of Kansas have mended their ways as to farmers' credits. I can offer him a better suggestion than that. If he will come with some of his associates and sit down with us in Winnipeg and show us what he says he and his friends showed the Kansas bankers, I can assure him he will find us just as anxious as the Kansas bankers were, to remedy anything in our banking conditions that is not right. (Applause). If they can indeed show us how to extend credits to farmers with greater intelligence, greater understanding and greater sympathy, we will welcome them with open arms. A comparison, to be fair, would be not between Kansas and Alberta; a fair comparison, if Mr. Leedy wanted to make one from the Kansas standpoint, would be with the Province of Ontario. To my certain knowledge, thirty years ago the Banks were loaning money to Ontario farmers at 7 per cent., and in some cases less than 7 per cent., and you have never in all the intervening years heard a whisper from the farmers of Ontario that the banking system of Canada was not adequate for their requirements. I say that, gentlemen, without fear of successful contradiction. Our trouble in the Province of Ontario in all this time has not been to satisfy the farmers that we were giving them enough credit; it was to induce them to take all the credit they could use profitably. I repeat that for a fair comparison with Kansas you must take the Province of Ontario, and then I would have no fear of what your judgment would be.

Even in the Province of Manitoba you do not hear anything like the complaints from farmers about banking service that you hear in the newer Provinces of Saskatchewan and Alberta. As to Alberta and Saskatchewan, the nearest comparison would be North Dakota or Montana. In 1913 I took a trip through North Dakota with a party of Winnipeg business men, including my friend here, Mr. Roderick McKenzie. We stopped at four important country towns—not little cross-roads places but four flourishing country towns—and we found there that, while the country Banks were giving farmers all the credit they required, the going rate everywhere was 12 per cent. I do not know what the going rate was in the smaller places throughout the State, but it is a fair assumption that if 12 per cent. was the rate in the larger towns the rate in the smaller places was larger. I do not believe that the farmers of this country would approve of our charging them 12 per cent. If they were willing to pay 12 per cent, we might be able to give them a better service—at any rate we could afford to take greater risks of losses by bad debts.

So, in considering the respective advantages of the branch system and the local bank system, I make this point at the outset: that a local bank service would cost you considerably more.

The Profitableness of Western Branch Banks

The impression prevails that the branches of Banks out in these Western Provinces are enormously profitable; that there is a gold mine in this business of conducting branch banks, and that we are bleeding the farmers for the services we render. Our own maximum rate of interest at the present time is 9 per cent. everywhere, except up in the far North country, with its very sparse population, where we are running branches at an enormous expense, and where the rate is somewhat higher. The going rate over most of the country is 8 per cent.

In Mr. Ball's letter the remark was made that the spread between 3 and 8 per cent. was so much the bankers would not be willing to let it go. Now, I am going to take you into my confidence as to the affairs of the Bank with which I am connected, and tell you that in the year 1916, according to the analysis we make every year for our own information—not for the purpose of a discussion of this sort but for our own guidance—out of 93 purely country branches which we had at that time, 60 of them were not paying expenses and some of them were a long way from paying expenses. Thirty-three branches out of the 93 were paying expenses or better, and the other 60 were losing money. The minimum expenses of conducting a branch—that is, the smallest branch that we have anywhere in these three Provinces—for rent, salaries, fuel and all the miscellaneous expenses, is over \$5,000. We have to earn \$5,000 before we begin to make any profit. I am making this point to indicate what local banks would have to face.

Why Banks Have Opened Branches so Extensively in the West

Now, notwithstanding these facts—facts which I am prepared to verify at any time to your Executive—since about 1,900 the Banks have opened over 800 branches in these three new provinces; and since the armistice was signed, after four years of inactivity the Banks have opened over 100 more branches. You ask me how this is explained if my statement of the facts is correct. The explanation is simply that the Banks are building out here for the future. We believe this country has a great future, that when it is filled up with settlers—when we have got down to a solid basis, with our farmers experienced in dry farming—there is going to be a big field for banking service; and consequently the competition between the banks is so keen that they are racing with each other to occupy this territory several years ahead of the time when there will be enough business at these points to pay expenses. I tell you that no part of the North American continent ever had banking facilities at so early a stage of its development. Under any other kind of a system than the one that we have it would not have been possible to give banking facilities to all these outlying little places where banking facilities are so badly needed by settlers making their pioneer struggles.

Could Local Banks Exist?

A question I would ask you to carefully consider is whether local banks could pay. Apropos of this, let me tell you that back in 1898,

in the Province of Ontario, there were 160 private Bankers. These bankers were performing just the same functions as the local Banks in the United States, taking deposits and lending money, and lending at pretty high rates. One hundred and sixty of them in 1898, and today there are less than 16. Quite a number of them sold out to the chartered Banks because they found they could not live under the rates of interest at which the chartered Banks were willing to lend; and a great many more, I am sorry to say, failed with heavy losses to their depositors. Of the latter aspect of the matter I will speak again.

With regard to the disadvantages which are charged against our system of banking: Mr. Leedy said, this morning, that we had imported the system from England but that we had not brought all the machinery with it. Now, the Canadian system is a complete importation of the Scotch Branch system, and so far as I know we brought from Scotland all the machinery of the Scotch system, and in thirty years we have vastly improved it.

Discretionary Powers of Branch Managers

One of the grounds of criticism in these provinces has been the fact that the Branch Manager has to refer rural credits to his central office—too much centralization—the referring of applications for credit to people at Central Eastern offices, who, it is said, do not understand these matters. Now, in the case of my own Bank our Branch Managers have certain discretionary powers in lending money, that is, up to a certain amount they do not have to refer to anybody. We have 19 Managers out of 160 who cannot lend more than \$1,000 without sending the application into my office. All the rest of our purely country Branch Managers can lend up to \$2,000 or \$3,000 on their own authority. And as to any farmer who needs a larger credit than \$2,000 or \$3,000, our requirement is that our Manager must sit down with each farmer customer once a year—at the end of one season and before the beginning of another—and figure out just what credit the farmer is going to need for his next season's operations, and then submit an application to my Department—not to a Head Office in the East—with his recommendation. Any farmer who wants to borrow more than \$2,000 or \$3,000 surely cannot complain at a procedure of that sort. Is it fair to ask that any farmer throughout the district should be free to walk into a banking office and say to the local Manager, "I want to borrow so many thousands," and get it instant? Isn't our procedure a logical and reasonable one? So much for the complaint that the local Manager has not got power and that he has to refer applications to a central Eastern Office that does not understand Western conditions. ■

The Big Borrower versus the Small One

Of all the fallacies concerning the policy and conduct of the Canadian Banks, in my considered opinion the greatest fallacy of all is that the big customers—the big interests—are served at the expense of the small; that the large borrower is the one who is considered first, and that the small borrower consequently suffers. I say, and I say it

advisedly, that this is not only not true but it is the absolute opposite of the fact, and I believe I can satisfy you of the accuracy of this statement. It does not matter to the community at large where the big borrower in the big city does his banking business, and we can therefore deal with his application for credit purely on its merits. But out here in the little village on the prairie it does matter where the merchant, for example, does his business, because he very often talks about these things. A good many people throughout the community go to him for advice; they ask him which is the best Bank, and if he is sore at one Bank because it would not give him as much credit as another Bank did, he is going to boost the one Bank and systematically knock the other. It is just the same with the farmer borrower out on the side lines. In order to make our branches pay, out in this sparsely settled country, we must do all the business we possibly can, and to this end we have got to gain the goodwill of the whole community. Very often we give credit to a farmer against our judgment where the balance of considerations is against the applicant, because it does not matter whether a man's criticism of the Bank is just or not; he thinks it is, and he will talk about it. He will declare that the Bank didn't treat him right, that they turned him down. He will put his case in its best light, and his neighbors will believe him. Every case of that sort in a rural community tells like everything against us, and that is what we have to consider all the time. So I repeat that, instead of the little customer suffering to the advantage of the big customer, it is the very opposite in truth. In the past 18 years, ever since the development of Branch Banks out in the Western country commenced, I have not once known any curtailment of credits required by farmers for legitimate purposes. I would like you, gentlemen, to weigh that statement: not once in the past 18 years have our country Managers been instructed to shut down on their lending to farmers. There have been two great crises in that time, two financial storms, world storms, 1893 and 1907. On those two occasions and on one or two other occasions—for instance, when the war broke out and nobody knew what was going to happen to the world—the word went along the line to our big customers, the big interests, "Don't make new commitments; go slow until we see where we are coming out." The curtailment was put on the big men, who were borrowing \$100,000, \$500,000 or \$1,000,000, but in all that time not one single curtailment was put upon our Western farmers' business. The managers of our Western country branches went on giving credit to farmers just as if the world wasn't nearly standing on its head.*

* Much as I have emphasized my statement that the big borrower is *not* favoured at the expense of the small borrower, on going over what I said at Edmonton I feel I scarcely did justice to the facts. The truth of the matter is that the borrowing needs of the farming community are among those *first* taken care of by the Banks. The logic of it all is the simplest thing in the world. In order to pay expenses at small country Branches in the West it is necessary to take up every dollar of acceptable business in sight, and no Bank could afford to pursue an erratic policy in extending credits to farmers.

The consequence is that whenever, in a time of money stringency, a check to expansion is necessary in the interests of the country at large it is applied to the *commercial* business of the Banks. A restriction of credits for the legitimate requirements of customers engaged in agricultural production, would be about the last step which any Bank would think of taking.

Marketing the Grain Crop

I am very glad Mr. Leedy referred this morning to the matter of the marketing of grain. He charged the banking interests with being responsible for the fact that, whereas, at a certain date last year the farmers of the United States had 70 per cent. of their grain crop unmarketed, in this country there was only 27 per cent. unmarketed. He charged that condition as due to the policy of the Banks. Now, if that is true, I do not know it. Apropos of that he asked why the Bank Act was amended to allow the Banks to lend upon threshed grain? I am glad he asked that important question, because I can tell you why that was put in the Bank Act. It was because the Banks wished not to have to force the farmers to sell their grain immediately after harvest. When that amendment was made, the farmers were borrowing money from the Banks and they had credit also from the horse dealer, the implement dealer, the storekeeper, and from pretty nearly everybody else in the country—I think you will say that is a fair statement; that was my experience of the business coming before me—and it was the practice of these other creditors to collect their money promptly after harvest. They had their collectors out scouring the country, and the man who got in first after the crop was reaped very often scored on his competitor. The implement men who could sit on the fence while the crop was being threshed, and grab it while it came from the threshing machine, very often got paid while the other fellows got nothing. We could not very well sit idly by with these collectors on the farmer's fence; we had to insist that the farmer pay us pro rata at least. We said: If you will put us in a position where we can afford not to press the farmer to liquidate his loans in the fall of the year, we will gladly carry him along; if you will allow us to take security on his threshed grain we will be only too glad to let the grain be threshed in the normal course of events. We would prefer to have him stay on the land; it is in the interest of the country to let him stay there and get his land ready for the next crop, and it hurts prices of grain to have the bulk of it thrown on the market at one time. That is why that amendment to the Bank Act was made, and immediately it was made the entire banking policy was changed.

Advantages of the Branch System

Now, with regard to the advantages of the Canadian Banking system, there are three or four points I would like to call to your attention. The first great advantage which we have over the bankers in the neighboring country is this, that our finances are all in one pot, and that money flows automatically from point to point as needed. The surplus funds of the Bank are kept at the big centres and our country Manager does not have to bother his head for one minute as to where he is going to get the money from which to lend. He may only have a few thousand dollars in his own safe, but he can go ahead and lend and draw on Toronto or Montreal or Winnipeg. Monies flow from one province, where there is a surplus, to another where there is a deficiency, automatically, as smoothly as water flows. The small banker in the United States, on the other hand, has to worry about

Advantages of the Branch System—(continued)

his own financial problem, whether he is lending too much money, whether he has got enough to take care of possible sudden demands of depositors; and he has to make arrangements with a bank in a big city so that when he runs out of his own funds he will be able to borrow from it. The local banker there has always to work out his own financial problem. The country banker out here has not any financial problem to look after; all he has got to consider is whether a loan ought to be made or not. If he decides the loan ought to be made, he simply makes it and draws on some large centre.

Another advantage, as I pointed out a few moments ago, is that under our system we have had in the past eighteen years an absence of panics and sudden money restrictions, which has not been the case across the line, as I will come to later.

Still another point is that we have uniformity of policy; that is to say, the policy of our branches in the West is uniform. You do not find a Manager at one point with one policy and a Manager of the same Bank at another point with an entirely different one. They are all acting on the same policy, and if the policy at the head office of a Bank is right the policy is going to be right at all of its branches; it is going to be nearly uniform, at all events. Of course, that means that if out of, say, nineteen Banks in Canada, one or two of the Banks had a policy at their head offices that was not sound, then all the branches of those Banks would have a policy that was not sound, too. That would mean a percentage of one or two in nineteen, and can you imagine that the percentage of bad policies among the local Banks in that great republic to the South of us is not any greater than one or two in nineteen? They have good, bad and indifferent country bankers in the United States, and the best of them are not better trained than the best of our own men.

One other big advantage we have, and one that concerns the farmers in the West, is this, that because of the manner in which our risks are spread over an entire continent we can afford to take bigger chances in each little locality, on the doctrine of averages. The winter of 1906-07 in this Province of Alberta was a disastrous winter for stockmen; blizzard followed blizzard, and the cattle died by thousands. Nearly every stockman woke up in the spring to find that he had lost a large percentage of his cattle. The man who only lost 10 per cent. was very fortunate; some men lost 100 per cent. In the spring of that year at one of our branches in Alberta, a rancher who owed us \$12,000 walked into our Manager's office and said, "I have about \$5,000 worth of emaciated cattle left, a quarter-section of land and a few small implements. Now, I will turn these over to you just as they are and I and my boys will strike out and make a new start somewhere else in the world, or, if you will lend me another \$5,000 to strengthen the herd, we will stay with the job and I think we can pull it through." Now, that proposition came down from this Alberta branch to my head office, and of course the first thing we said was—that if our experience of thirty or forty years had taught us anything at all it was that when a

man makes a bad mess in business the best thing we can do is to take our loss and forget about it. But the manner in which this man put all his cards on the table appealed to us; the case seemed worth looking into carefully; this might be a case for an exception to a sound rule. So we wired to one of our most experienced livestock managers asking him to go up to the place, investigate and report to us. We got a wire in a few days: "This is a splendid type of Scotchman and he has two fine boys. I recommend giving him the additional credit." We gave him the additional credit—not \$5,000, but \$8,000—and as his herd improved we lent him more money and more money, until we were finally lending him \$30,000 and more. That began in 1907. In 1914 he turned over his property to his boys and he had a surplus of \$116,000—three sections of land and \$75,000 of money of his own over and above what he owed the Bank against his cattle. Now if that had been a local Bank it would have been very doubtful policy—with \$7,000 of its capital already apparently lost—to have lent that additional money, but whether that is so or not, the point I make is this, that with our risks spread all over this country we are able to take a chance like that without any hesitation, on the doctrine of averages. In twenty such cases we may strike a snag somewhere and lose money, but in the nineteen others we will profit from getting the credit for having stood by our customers and done the right thing. (Applause). Now, I give you that only as a type; that kind of a case, large or small, is legion with about every Bank in this country. We have had cases in the West where certain districts have been visited by successive droughts. I have in mind a small district up on the Canadian Northern Line which had three droughts in succession, nearly total crop failures. We found ourselves, at the end of the first year, with a lot of unpaid loans to men who had no crop. We staked them a second year; we staked them a third year; and the fourth year they commenced to get back on their feet and today the most of those men are prospering and we have won a good name in that community. That also is a type of thing that has happened in numerous parts of this country; and I ask you what would be the position of a local Bank in a community that suffers like that? Imagine the predicament of a local Bank today in Southern Saskatchewan, where they have suffered several crop disasters in the last few years!

One Bank Instead of Twenty

Now, you are proposing that power be given you to start local Banks. In passing, I would just like to draw your attention to the fact that you really do not need that kind of legislation. If there is such a field for banking, if we are giving so poor a service and you want better service, why not make a start with a single bank with a capital of \$500,000, and twenty branches with \$25,000 of capital gathered at each? Take a number of good spots where you think the Banks are not giving proper service now, gather your farmers together, take subscriptions for \$25,000 here and \$25,000 there at twenty points over this splendid agricultural province. Then you will have a Bank with a strong capital in a fine shape to start business, and I would remind you that you could conduct business in that way at a smaller expense than you could with a separate executive for each of twenty separate Banks. Why

not consider that, gentlemen? If the field is a big one and there is lots of money to be made, and if our service is not good, why not take that very simple course of starting one Bank with a strong central executive?

The Two Functions of Banks as Regards the Farmers

There are, however, two functions which the Banks have to perform as regards the farmers:

(1) They must provide a safe depository for the farmers' surplus funds and his savings.

(2) They must dispense credit intelligently for agricultural purposes.

The Depositor's Side

To deal with the deposit side first, the history of banking shows that a few old-established large Banks make for greater safety to depositors and for greater stability in the general finances of the country. I pointed out to you a few minutes ago that in the past eighteen years this continent has seen two great financial panics, 1893 and 1907. In both these periods there was a collapse of credit in the United States. The collapse in 1907 was so complete that not only was it difficult for farmers to borrow money from the local Banks, but even in the big cities like Chicago and New York a man who had money on deposit with the Banks and wanted draw more than \$50 had to satisfy the Manager of the Bank that he really needed the money for legitimate purposes. Banks suspended payment everywhere throughout the United States in 1907, and for quite a period before the readjustment came they had to introduce the device of clearing house certificates, and cash payments were almost unknown. The minute a panic came on in the United States, American importers from Canada used to cease paying us, but our importers came to us for credit just the same and we had to let them pay our money over in settlement of their imports from the United States. Notwithstanding that in the manner just indicated we suffered by a sudden withdrawal from this country of millions of dollars of gold, on neither of these occasions did the panic extend to this country; there was no suspension of payments of any kind, and the world at large recognizes the fact that the Canadian Banking system is one of the finest in the world. (Applause.) Now, do you suppose that in the panics of 1893 and 1907, when there were those suspensions of payments generally, farmers in that country did not suffer? Do you suppose that the little banker out in the country place did not have to tell Bill over and over: "I am sorry but I can't let you have any money today; I don't know where I stand." And in each of those panics, as I told you before, the Managers in this Western country went on extending credit to farmers just the same as ever.

A DELEGATE: There was an important point you missed in connection with that panic of 1907. The Michigan Central Railway came to our Canadian Banks to pay their employees for three or four months.

MR. BROWN: That is so. I have forgotten a whole lot about those panics. That is perfectly true, and it will help you appreciate on what a foundation rock the Canadian Banking system stands.

But I am talking from the depositors' standpoint. I said that a comparison as to our Provinces of Saskatchewan and Alberta would be fairer if made with the State of North Dakota. You must remember that the American Banking system of local Banks represents a development of many years—most of the best things in the world have been a matter of slow development, of evolution—just as our Banking system has been a development of many years; and in the earlier years of development of the system of local Banks in the United States there were many pages of sad, sad history from the standpoint of the depositors. The term "wild-cat-banking" came from a condition of affairs in which the people of the State of Michigan had a bitter experience some years ago. But not going back to ancient history at all, I have here the figures of the Bank failures in the State of North Dakota since 1893—as far back as I could get them. I took North Dakota at random as the State nearest to us; and the figures show that since 1893 in that pretty old State—much older than Alberta and Saskatchewan—there were Bank failures in connection with which, in seven cases, depositors suffered losses of \$301,000 odd.*

I have also here the figures of the losses to depositors in Canadian Banks in the same period of time. There have been seven or eight Bank failures in Canada since 1893, in three of which the depositors lost money, and here we find ourselves back at the same point again—the losses to depositors relate to small Banks. The only case of a Bank of any size that failed in that time with a loss to depositors was that of the Banque du Peuple, a French Bank with a capital of \$1,000,000, where the depositors lost 25 cents on the dollar. Another was the Banque Ville Marie, a small affair in the City of Montreal, and another the Banque de St. Hyacinthe, also a small French Bank. Only two Banks of any size failed in that period, one the Ontario Bank, with a capital and reserve of \$3,000,000, whose depositors were paid in full; the other the Sovereign Bank of Canada, with a capital of \$3,000,000, whose depositors were also paid in full. All our own losses have to do with miscellaneous Banks scattered around the country, and I say it is a mighty good thing for this country that we have now pretty nearly cleaned up the small Banks. With only two exceptions, every Bank that has been started in this country in the

* The U.F.A. Convention had scarcely closed, when a despatch came from Minnesota announcing that a chain of 14 State Banks had blown up. These Banks had a capital of \$10,000 to \$20,000 each, the aggregate capitalization being only \$176,000, with deposits, however, aggregating the large sum of \$1,440,000. Adventurers had succeeded in getting control of the majority of the capital stock of each of these Banks (the comparatively small amount involved rendering this an easy matter), and had lent some \$910,000 of the Banks' deposits to a number of outside doubtful enterprises of their own. If the depositors do not suffer heavy losses they will be very lucky indeed. In this connection it is interesting to note that the individuals in control of these Minnesota Banks had planned to enter Manitoba, where they had obtained a charter for the North America Finance Company!

past twenty years is out of existence today, either having failed or sold out to one of the old Banks because it could not make the thing go.

I would like to ask you what you think would have happened if in the good old "champagne" days of this Western country—back before 1912 and 1913, when people were buying subdivision lots three and four miles out of this city, and subdivision lots in every little village in the West; when boys were making as much money in one week on a shoe string by buying real estate as you were making in a year on your farm or I was making in a year of work in my Bank—I would like to ask you what would have happened if you had had a lot of local Banks scattered over this Province? Do you think the local banker, with all this epidemic of get-rich-quickness, would have been able to resist the temptation to make money a little faster than he could by lending it to you a 8, 9 or 10 per cent. interest? Think that over very carefully. The last of the private bankers to go down in the Province of Ontario, failed after the collapse of the Western real estate boom. They had over \$400,000 of deposits there, and they didn't know how to employ their money advantageously. One of the partners travelled out through this country and seeing how easy it looked to make money out of real estate, he invested a considerable block of the funds of his private Bank in Western real estate, after which it was not very long before the Bank had to close its doors. What happened to the depositors I am not able to tell you today, but you can imagine they did not get all their money back.

The Ontario farmer is becoming more of a depositor than a borrower, and I think he would say to you: "I am more concerned to see a banking system in this country that will give me safety for my deposits." Gentlemen, the day is not very distant when the farmers of Alberta will be depositors more than they are borrowers. The time is coming and it is not very far off when Alberta will be sufficiently settled that difficulty on the part of a farmer in getting credit from a chartered Bank will not be known. Having all this in mind, it is for you to consider whether you would want to have a system of local Banks all over this Province, holding your deposits.

The danger from local Banks is not merely that they might lose money by bad debts. There is the danger also that they might be drawn into just such epidemics of get-rich-quickness as strike us regularly at intervals. At one time, it is real estate in the West; at another time, it is mines in British Columbia; at another, oil in Calgary; at another, Cobalt mines; and when there is not that kind of thing to tempt men who have money at their command, there is always the Grain Exchange. And you know—and if you don't know, gentlemen, I venture to make the statement—that the man who gets into the Grain Exchange, trading in margins, has not a chance on earth; he is going to lose his money sooner or later. But there are all those temptations that would be open to the little local Bank, because a local Bank is necessarily a one-man concern and one man has opportunities to do wrong things that do not exist in big Banks to anything like the same extent. In the case of the large Bank the organization is such that no one individual can go far astray; no one individual has that control

over the funds; there is always a double custody and a double responsibility. But even if one of our Managers did go wrong and get into the Grain Exchange and lose some of the funds of the Bank, the loss would not be proportionately large enough to matter, but if he were Manager of a local Bank it would matter and some poor depositors would suffer.

QUESTION: That would be the fault of your law, would it not?

MR. BROWN: No, it would be the fault of human nature. (Laughter).

The point I want to carry home to you is that the duty of the Government of this country with regard to Banking Laws is, first and foremost, towards those whose money it is that is loaned out for rural credits and credits of all kinds—to provide for depositors an absolutely safe place for their money.

Farmers' Banking Credits

Now, I really come to the last heading of my subject, that of rural credits. The farmers of the Western Provinces have had grievances against the Banks and some of them have had good grievances, but I pointed out that that is not so in the Eastern Provinces. It is not so in the Province of Ontario, and is it not a fair deduction from that fact, that it cannot be the *system* of banking that is at fault? If the banking system is adequate for the requirements of the rural credits of the Province of Ontario and the Province of Quebec, and the Maritime Provinces, how could it be inadequate for the central Western Provinces?

Ontario, as I pointed out before, is an old settled province, the farmers there are the sons and grandsons of men who were the pioneers of the province. Banks are scattered at points not more than an average of eight miles apart. A Branch Manager in that province does not have to do anything but drive down the side line, take a look at a farmer's place, at his barns and other buildings, general surroundings, to know what kind of a farmer he is. There is not any problem there at all in lending money safely to farmers; it is one of the safest kinds of business with which we have had anything to do. The West, however, has gone through a period of rapid settlement; thousands of men went on the land who did not know anything about farming at all; and a great many farmers went there who learned their farming under other conditions and had to learn by costly experience that farming in a dry country is a different matter. Then, too, it is a country of magnificent distances. We are lending money at some points to farmers who live fifty, sixty and a hundred miles away from us. Think what a problem it is for the Manager in such cases to know to whom he can lend money safely and to whom he cannot!

Then in this country we have the handicap of the exemption laws. Now, I believe in the exemption laws; I understand why they were

Farmers' Banking Credits—(continued)

put there, and I have not any quarrel with them at all. But you must remember that it makes it mighty difficult for a bank to lend money safely when we have to lend to a man who, if he chooses, can turn around and say: "I don't think I can pay you and anyway I don't know whether I want to pay." The Dower Acts, too—I have not any quarrel with them either; I think a farmer's wife has a right to a share in the partnerships assets; but supposing a farmer makes a mess of things and his wife then says: "Well, one-third of everything here you can't touch." That might be the right thing for her to say, and I might advocate her saying it; but the Exemptions and Dower Acts are obvious handicaps to banking credit.

You will have no difficulty in appreciating just what the handicaps I have mentioned mean to the Banks. But now I will tell you frankly what the greatest of our difficulties has been.

The Banks have had to open something like 900 new branches in the Western Provinces in a period of comparatively few years, which means 900 green Managers to be tested—in some cases weeded out—and carefully trained. And it takes nearly as many years to make a good bank manager as it does to make a good farmer. You all know how long that is, and it is not fair to expect us to train men faster than that. Take our own case. We have opened in these last eighteen years 140 branches—140 new managers. We started in 1900 to lend money to farmers out here based on our experience in the Province of Ontario, where lending money to farmers had proved so safe that we did not need to worry about losing any of it. During the first 10 or 12 years, you will remember, the West had pretty fair crops and fair prices, and while we made a good many more losses than we liked, we figured that as our Managers got experience that would be cured. Then about 1912-13 came a period of two or three years of poor crops and low prices combined, and then we learned our lesson. I would hate to tell you how many hundreds and hundreds of losses by bad debts we made with loans to farmers—or perhaps I should say, to men who were on land out here. If we had been lending to *farmers* we would not have lost so much money, but the point is that in very many cases we were not, and we did not know it. However, the criticism to which we were fairly open in that first period of twelve years was not that we weren't giving enough credit—it was that we had been giving altogether too much credit. The pinch came after 1913-14, and the lesson we learned was that in order to lend money safely in a newly settling country—where a large percentage of the men on the land are not trained farmers—our Branch Managers must have a knowledge of the fundamentals of tillage and some knowledge of livestock. So we set about diligently—and for the past five or six years it has been our supreme task—to train our Managers so that they would be qualified to distinguish between good, bad and indifferent farmers. We made it a point that they should not be purely office men. Now practically every country Manager has an automobile and the rule of the Bank is that he must get about the country-side and endeavor to visit each of his farmer customers once a year; he must gain a first-hand knowledge of the man's farm and the man him-

self; and he must record his information as to each one of his customers in such a complete and comprehensive manner, that if we moved him to some other Branch his successor would be able to start in where he left off. Formerly the absence of sufficiently complete records was one of the weaknesses of the Western banking situation.

In the past five or six years our aim has been to give the farming community a service of the highest efficiency possible. We have made it the key-note with our Managers, that it is just as serious a mistake for them to refuse credit in a single case to the right man, as it is to make a loan to the wrong man—indeed, we have told them it is worse, because if we make a loan to the wrong man it is only our own loss; whereas if we refuse credit to a man who ought to get credit, then it is a reproach against us as regards our service to the community at large. We have impressed it on our Managers as strongly as we can that we wish them to give to the farming community a service of which we can be proud. That is the one mandate that comes to me from my head office, and that is the mandate that our Managers have. Their own success depends on their building up their business, to do which they must win and deserve the good-will of the farming community. Mr. Baker, one of your vice-presidents, who happens to be a customer of my Bank, can tell you that what I am saying to you now is true—that my big task in the past five or six years has been to get our Managers thoroughly imbued with that spirit—because I have shown him the whole story. I am not here to advertise my own Bank; I have told you what it has been doing because that I know; and I have had the less hesitation about doing this because I now have a point to make. I had calculated that if our competitors would allow us to carry on this work alone we would gain a great advantage over them, that The Canadian Bank of Commerce would come to be considered the one Bank that really was doing the right thing by the Western farmers. I made no secret of this calculation with my fellow bankers, because while from a narrow viewpoint we would gain an advantage if our competitors gave an inefficient service to farmers, viewed broadly our own individual interests would be certain to suffer in a situation where the Banks as a whole were not caring adequately for the credit needs of the Western farmers. But I have discovered that the other bankers in the West caught that note of Service just about as soon as I did, because, with the exception of only one or two institutions, I find that wherever we come in competition with other Banks the other banker is giving just about as good service as we are. Now, if that is true, I just wish to submit to you that after all the service as a whole cannot be particularly bad.

By way of conclusion, I am going to venture a suggestion with regard to the resolution now before you. I am offering it in my personal capacity, with the desire to be constructive, to be helpful, not to be critical. The resolution before you is a very important one; it contemplates the serious step of tearing down in a day the foundations of a banking system which has been 100 years in the building, and I am sure you would not wish to take that step without careful consideration and some deliberation. The eyes of all Canada are on the Western Farmers' Associations, more so today than ever before, and

Farmers' Banking Credits—(continued)

your influence on public opinion in this country will be the greater if in the passing of resolutions you show that you are fully seized with your great responsibilities. I would therefore suggest that you refer this resolution to your Executive, with power to them to pass it on to Ottawa if in their judgment, after careful consideration, they deem it the right thing to do—if they conclude that in Local Banks would be found the solution of the difficulty regarding Western rural credits. I should like to say in this connection that I would have the greatest respect for the findings of any body of men presided over by your honored President. (Applause). I have had the privilege of seeing a good deal of Mr. Wood these last few years, and I am voicing the opinions of business men everywhere who have had a like privilege when I say that he is regarded as a big, broad, fair-minded, able, statesman-like man. (Applause). And I do not mind admitting to you that if all our organizations in this Dominion of Canada had at their head men of the same calibre and spirit as Mr. Wood we would soon make this a better country in which to live.

Co-operation to Remedy Inefficient Banking Service— A Suggested Plan

I have a second suggestion, and a more important one. Even if you should pass this resolution; and even if the Dominion Government, to whom under the British North America Act has been reserved the control over banking matters, were to shift that responsibility from their shoulders and place it on the shoulders of the Provincial Government; and even if the Provincial Government were then willing to take the responsibility of throwing banking wide open to any person who could put up \$25,000 or so of capital; and even if I am wrong in my belief that the local bank could not live with the small rates of interest that the larger banks charge, and local banks did start up and become successful—even in all these events, it would be several years before you would get the relief for which you would be looking to those local banks. In the meantime it is vitally important to you that the service given by the existing banks should be brought up to the highest possible point of efficiency, and to this end the best results can only be achieved by co-operation. (Applause). We had a beginning of this co-operation in the Banker-Farmer Conference held in the City of Winnipeg in July, 1916. At that conference an announcement of banking policy was made by the banks, which I believe was acceptable to your representatives. It is my understanding that nearly all the Banks have been absolutely living up to that policy since, but in any event it is clear that the relations between the bankers and the farmers since that conference took place have been on a very much more satisfactory footing, and so I say again that co-operation is what we need.

At that Banker-Farmer Conference as far back as 1916, I suggested and I have since urged it and urged it again, that the Canadian Council of Agriculture should appoint a Committee of Reference to consider complaints made by farmers against any of the business interests—complaints of wrong treatment by implement companies or railroad companies or banks, or any other interest. The proposal was that

whenever a farmer had a complaint against a bank it should be forwarded to this committee and be dealt with by it after obtaining the facts from the Bank's side also—so that if the complaint were a just one it might be rectified, and if it were not just, that we might be acquitted of injustice. I can understand why that committee has not been appointed. It would be a pretty big undertaking for a committee representing the Canadian Council of Agriculture, say in the City of Winnipeg, to deal with all the complaints which might come from the farmers scattered over this enormous country.

But I can offer you a suggestion as to how the difficulty might be met. Supposing, when you go back to your homes, you appoint in your own association a local Committee of Reference, so that complaints of farmers in your own district might be put before it? Then, if a complaint were made against a bank, that committee could sit down with the bank manager, sort out the statements of fact on both sides, and decide whether the bank was at fault. If the bank was found at fault and the manager was disinclined to recognize it, the local committee could pass their finding on to the Central committee at Winnipeg, by whom the matter could be taken up with the chief representative of the Bank there.

Now, if, as a result of such a procedure, it were found that any one bank was not fulfilling its duty towards the farmers, the remedy would lie in your hands. On the other hand, if the fault was the fault of a local manager here and there, no one would be more anxious to know it than his Head Office. And with a local committee in the country and a central committee in Winnipeg, or Calgary or Regina, we might hope to get somewhere.

The views that I have been putting before you with regard to that committee, with regard to the policy of the banks, and the desire of the banks to give a proper service, are shared with me by practically all the other bankers, and I can promise you that if a committee of the Canadian Council of Agriculture would sit down with a committee of bankers, from time to time, and discuss the weaknesses and faults of the banking service, they would find the bankers only too ready to meet them in a spirit of the friendliest co-operation. As far as I am concerned it would afford me the greatest pleasure to have Mr. Leedy and his friends come into my office in Winnipeg and see just what we are doing with regard to our rural credits every day of the year. I promise you that I would put all my cards on the table (Applause), and if he did not change his mind as to the motives that are inspiring us and as to our lines of conduct—well I would buy him a new hat. (Laughter).

Gentlemen, I put it squarely up to you. I have explained at great length the handicaps and difficulties under which the Banks have been laboring in extending credit to men on the land in a newly settled country of magnificent distances, and I have urged upon you that we need, we want, and we are entitled to ask for, the co-operation of your own organizations—your Local as well as your Central Executive—in our efforts to provide you with a really efficient banking service.

Co-operation to Remedy Inefficient Banking Service—(continued)

Now, however much I may disagree with the views of Mr. Leedy and his committee who framed this resolution, I personally welcome the stirring up of this matter. Mr. Leedy and his friends are doing a great service to this country—though perhaps not in the way they intended—and some good will come of it. (Applause). I will admit that many of the things that Mr. Leedy said this morning hurt me. I have devoted a good many of the best years of my life to an effort to give a banking service to the farmers out in this country that would be a credit to the institution I represent, and when I find Mr. Leedy and other people believe that we are not even trying to do the right thing yet, I feel,—well, I won't say hot—I feel very deeply disappointed. If there are banking institutions in this country whose course has been such as to justify the beliefs that Mr. Leedy and his friends hold, then I would like to know who they are, and like you to know who they are, and I and many other bankers would like to help you to take steps to get it all straightened out.

Before I stop let me give you one example of bad service. Whenever you find a bank manager writing hail insurance, fire or life insurance, or acting directly or indirectly as an agent for anything else, you will know that he is not doing the right thing.

VOICES IN AUDIENCE: Lots of them do it. 75 per cent. of them do it.

MR. BROWN: Well, all I can say is that the banks pledged themselves to your executive at that Banker-Farmer Conference, to stop it. Where any manager is doing that you can make up your mind that his Head Office doesn't know it and that they would be the first people to stamp on it if they did know it. But any way, when you find that happening you can make up your mind that you are not getting a proper service. No bank manager can do justice to his customers' necessities if he is interested in any way in any insurance business, and we not only have ordered our managers under no circumstances to take part in business outside but we have put up a notice for the public in every Branch, that our Manager is not permitted to act, directly or indirectly, as an agent for any kind of insurance.

I have only given you that by way of illustration. The point I am seeking to make is that if the Banks are not doing their duty we want to know it as much as you do, and that we could get it all straightened out if you would only help us. Let us sit down with a committee of your own, investigate these conditions, and take steps to effect any needed remedies. I say that if any Banks are not making a proper effort to give an efficient service, I want them brought to book just as much as you want it. I think the Banks have nearly all been on their mettle for the past several years, but the condition we wish to see brought about is one where there will be no exceptions.

Now, I want to offer you my earnest apologies for keeping you so long. I wish I could have put my remarks in shorter space and got them more

together, but as I told you, I am not accustomed to speaking in public. I thank you very sincerely for the great patience and kindness with which you have heard me. You have given me the more than fair show for which I begged. (Applause).

CANADIAN BANK LOANS IN NEW YORK

In the course of some remarks following Mr. Brown's address, Mr. Leedy criticized the Banks for lending some of their monies in New York instead of employing such monies in loans to Western farmers. The misapprehension on this point existing in Mr. Leedy's mind, and in the minds of many other Bank critics in the Western Provinces, was some years ago widely prevalent in the Eastern Provinces. In later years, however, the Eastern public have come to understand the meaning of the loans on stock exchange securities carried by the Canadian Banks in New York, and no responsible financial critic in the East would now attack the policy of the Banks in this matter.

The Banks aim to carry in New York only such monies as they must keep in quickly realisable shape, to cope with the fluctuating demands of their depositors and borrowers, and to afford a reserve against emergencies. Whenever the amount carried in New York by any Bank exceeds actual requirements, the excess is attributable wholly to the Bank's inability at the moment to find employment for such excess among its Canadian borrowing customers.

The going rates for the great bulk of commercial and agricultural loans in Canada range from 6 to 8%. The average rate earned on New York call loans, over a period of several years prior to the war, would not exceed $2\frac{1}{4}\%$, from which must be deducted a tax of $\frac{1}{2}\%$ levied by the State on all foreign banking corporations, leaving the average net rate only 2%. Is it conceivable that the Banks in their sober senses would be willing to lend in New York at 2% any of their funds which they could safely employ at 8% in making loans to Western farmers? The notion is preposterous.

Very occasionally in times of panic the published rates on call loans in New York have risen to 75@100% per annum, and sometimes more, and it is these rare occurrences which have created the impression, in the minds of some people, that the Banks lend money in New York for the sake of *higher* rates of interest. These rates, however, have never prevailed for more than a very few days at a time and have applied only to loans made by professional lenders to straggling borrowers on the Stock Exchange—the Canadian Banks have never marked their loans up to any such rates. Moreover, whenever New York rates have risen to high levels, the rise has been due to conditions of financial strain which have invariably necessitated the Canadian Banks withdrawing funds from New York, instead of—as popularly supposed—sending funds there to take advantage of momentarily high rates.

The amateur critic nearly always exaggerates grossly the amount of money loaned by Canadian Banks in New York. He looks only at the total amount of loans outside Canada, and nearly always overlooks the items on the other side of the balance sheet representing deposits held and balances owing by the Banks outside of Canada.

Canadian Bank Loans in New York—(continued)

The wisdom of carrying such reserves was abundantly illustrated during the United States panic of 1907, as is clearly set out in a pamphlet issued by Sir Edmund Walker in 1912 on "Canadian Bank loans in New York." Quoting from that pamphlet, according to the Government Bank statement the position of the Canadian Banks as regards loans and deposits outside Canada at 30th September, 1907, was as follows:

Call loans outside Canada	\$63,158,601
Current loans outside Canada	25,794,092
	<hr/>
Deposits and balances due outside Canada	\$88,952,693
	76,178,950
	<hr/>
Net amount employed outside Canada	\$12,773,743

The United States panic set in during October, 1907, and by 30th November the position of the Canadian Banks as regards their outside loans and deposits had changed to the following:

Call loans outside Canada	\$41,198,293
Current loans outside Canada	23,576,315
	<hr/>
Deposits and balances due outside Canada	\$64,774,608
	67,616,113
	<hr/>
Net balance <i>owing</i> by Canadian Banks outside Canada...	\$ 2,841,505

In other words the Canadian financial situation was saved in 1907 by the Banks calling in the entire amount of the Canadian funds which they had been lending outside of Canada, and about \$3,000,000 more!

It is sheer nonsense to rail at the policy of the Canadian Banks carrying a portion of their reserves in the form of call loans in New York. If such reserves were not so employed, they would have to be carried in the form of hard cash in the vaults of the Banks, and the benefit of a net 2% interest thereon would be lost.